



SAINT LUCIA

COUNTRY STRATEGY PAPER FOR THE BANANA INDUSTRY, AGRICULTURAL DIVERSIFICATION & THE SOCIAL RECOVERY OF RURAL COMMUNITIES

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INTRODUCTION

THE GLOBAL LANDSCAPE

As we move towards the 21st century, the world is witnessing unprecedented changes in respect of its international, political and economic landscapes.

The dominant features of this rapid changing landscape are global economic liberalisation, privatisation, increased emphasis on technology, the forging of strategic alliances, the elimination of tariffs and non-tariff barriers, the reengineering of operations and processes, and increased emphasis on environmental protection and fair trade issues.

The effects of such changes on our economy present the following challenges:

- Achieving international competitiveness for export commodities and improving our ability to service our domestic market
- Grasping opportunities created as a result of global economic liberalisation
- Dealing swiftly and decisively with the threats from the external environment
- Placing greater priority on marketing and investments
- Redefining the roles of the public and private sectors
- Forging partnership and alliances to facilitate the achievement of our objectives
- Exploiting information technology with a view to achieving international competitiveness
- Creating an enabling environment for the emergence of entrepreneurial spirit and active involvement of the private sector to allow sustainable and flexible solutions to emerge in a process of development of the sector.

This Strategy Paper, therefore, articulates (1) the measures that will be taken to achieve a fully competitive banana industry, (2) the interventions that will be made to facilitate the development of a viable and sustainable diversified agricultural sector, and (3) the mechanisms that will be employed to enable the social recovery of those persons who will be adversely affected by the restructuring of the banana industry.

THE BANANA INDUSTRY

HISTORICAL BACKGROUND

The banana industry in the Windward Islands developed in the early 1950s following the collapse of the sugar industry. In 1953, Geest Industries and the Banana Growers' Associations signed a contract for the former to purchase all bananas of exportable quality. Banana production subsequently increased over the years, with exports reaching their highest levels in 1992 at 274,539 tonnes. However, by 1997, production had declined to 137,000 tons or 49.9% of 1990 levels.

In July 1993, a new arrangement came into being for the manner in which bananas from the African, Caribbean and Pacific (ACP) countries were traded in Europe. This new arrangement sought to limit the level of preferential market access of ACP bananas to the European Union, as a first step towards the introduction of global free trade in 2001. The main elements of this new regime were the introduction of tariff quotas on a country-by-country basis and the accumulation of saleable licenses for the importation of fruit from non-ACP countries. This latter concession encouraged ACP producers to become traders, as it presented a means of generating additional revenue from the sale of licenses in Europe. The quota system also imposed penalties on countries by capping their import levels. Additionally, it exposed producers to potential license revenue and quota reductions in the event of declining export volumes.

In 1994, the Governments of the Windward Islands established the Windward Islands Banana Development and Exporting Company (WIBDECO) to replace the Windward Islands Banana Growers Association (WINBAN) and to function as a trading company for the banana industry. WIBDECO is a two-tier service company: the Windward Islands Banana Development and Exporting Company Limited in the Windward Islands (WIBDECO WI) and the wholly owned subsidiary the Windward Islands Banana Development and Exporting Company (UK) Limited (WIBDECO UK). In 1996, WIBDECO borrowed 20 million pounds sterling from the Allied Irish Banks (AIB) to purchase a 50% stake in the buy-out of Geest bananas. It did so through a joint venture (JV) comprising Windward Isles Banana Company UK Ltd., (WIBUK) and Windward Isles Banana Company Holdings (Jersey) Ltd., (WIBHJ). Fyffes Plc. holds the other 50% stake in the JV.

WIBDECO's main services are to (1) negotiate marketing and freight arrangements for Windward Islands fruit, (2) manage the industry's joint venture investments in WIBUK and WIBHJ, and (3) reinforce the Windward Islands' and Caribbean banana lobby in Europe. WIBDECO's secondary responsibilities are to (1) arrange payments from export sales and other trading activities to the BGAs, (2) manage receiving and loading operations in the four Windward Islands; (3) coordinate the Geest shipping agency and branch operations in these islands, and (4) provide technical services to the industry to enhance productivity and fruit quality.

St. Lucia has, traditionally, been the largest exporter in the Windward Islands. St. Lucia's share of Windward Islands banana production has risen steadily from a low of 35.45% in 1970 to a high of 53.47% in 1986. Presently, St. Lucia accounts for approximately 53% of Windward Islands production (1999 First Quarter Data from WIBDECO).

ECONOMIC IMPORTANCE

The performance of St. Lucia's agricultural sector, and the economy as a whole, continues to be directly linked to the fortunes of the banana industry.

Selected Indicators, 1998

Population	151,972
Banana Exports MT	73,042
Banana Exports Value (EC\$M)	91.51
Banana Exports as % of GDP	4.75
Banana Exports as % of Domestic Exports	59
Active Banana Farmers	5,270
Banana Acreage	14,000
Average Yields (MT/acre)	5.1
Average Farm Size (acres)	2.7

Source: 1998 Economic & Social Review, SLBC and WIBDECO

The importance of the banana industry to the economy of Saint Lucia should not be underestimated. Although actual data are not available, it is widely believed that the industry employs about 30,000 persons directly and indirectly. Given the number of persons employed in the industry, any fundamental decrease in disposable income will have multiplier effects with far reaching consequences for both the industry and the economy overall. The dependence of the economy on bananas was clearly demonstrated in 1997, when yields and consequently banana exports, declined from 127,000 tonnes in 1992 to 71,500 tonnes in 1997 (valued at EC\$ 162 Million in 1992 and EC\$ 85 Million in 1997) causing a substantial decline in farmers' incomes and a parallel decline in the rate of growth of GDP.

Like the rest of the Windward Islands, production in St. Lucia has declined noticeably over the last six years. There has been significant farmer migration out of the industry, and some farmers have reduced their level of on-farm investment. It has been estimated that in St. Lucia, between 1992 and 1997, 49% of farmers left the banana industry. This has led to a decline in banana acreage and farm productivity, and a rapid fall in banana output. This has in turn led to a reduction in prices paid to farmers, which in turn has caused farmers to invest less in their banana operations, leading to further reductions in output. This downward spiral has had the following consequences:

- The inability of the islands to meet their quota and market commitments, with the result that the Windward Islands were in danger of being labelled an unreliable supplier and losing their market share permanently;
- Increased shipping costs per tonne because of the high level of unused capacity;
- Difficulty in repaying the loan used to purchase equity in Geest Bananas;
- Wide fluctuations in farmer income, leading to dissatisfaction and, in some cases, migration out of the banana industry;
- Low investment in farm operations, particularly the use of production inputs, resulting in reduced farm productivity and output.

BANANA SECTOR POLICY DIALOGUE

In March 1994, the members of the donor community, namely the European Community (EC), British Development Division in the Caribbean (BDDC), Caribbean Development Bank (CDB) and United Nations Development Programme (UNDP) responded to requests from the OECS Secretariat for assistance to revitalise the ailing Windward Islands banana industry by commissioning a diagnostic study (jointly funded by the EC and BDDC) of the industry. This study was undertaken by Cargill Technical Services, and was launched in November 1994. The Cargill Phase I Study involved consultation with growers, institutions, Government ministries and Heads of Government. On 5 April 1995, at a meeting in Canouan, the Prime Ministers and industry representatives endorsed the main thrust of the report.

A second phase of the study was subsequently undertaken, and the Prime Ministers and the donor consortium endorsed its principal findings on 29th September 1995 at a meeting in Kingstown. At this meeting, a plan for a core banana industry capable of competing in liberalised markets by the year 2002, was agreed by all parties. It was confirmed, in particular, that investments by the industry would be based on commercial, rather than political, criteria, allowing prices to growers to reflect quality differences, so as to encourage the emergence of a core group of efficient banana growers. A strategy for the management of banana industry debt was to be identified through a consultancy. Each country would have a single Banana Growers Association (BGA) incorporating the good governance and management provisions recommended in the Cargill reports. It was further agreed that a comprehensive Technical Assistance (TA) Team was necessary in order to help bring about the required reforms at regional and national levels.

A study into debt management for the banana industry was carried out in 1996, and formed the basis for a set of debt relief measures for BGAs agreed in Castries on 21st November 1996. The Castries Accord, signed by the Prime Ministers of Dominica, St. Lucia and St. Vincent, representatives of the donor group and of the Windward Islands' banana industry, agreed:

- to reaffirm the commitments entered into in Kingstown on 29 September for the restructuring of the banana industry
- to encourage the emergence of an efficient industry able to compete in liberalised markets, by avoiding the accumulation of further indebtedness
- to encourage enhanced banana quality by ensuring that grower prices reflect market signals
- to implement a debt reduction and management strategy for the BGAs, so as to eliminate the burden of unserviceable debt
- to facilitate the advisory work of the Technical Assistance (TA) team funded by the European Commission
- to carry out socio-economic studies in each country, which will assist in the identification of programmes that will facilitate the transition to new economic activities for those displaced from banana production.

At a follow-up meeting in St. Lucia (Castries II) on 16th January 1998, it was further agreed:

- to reaffirm the commitments entered into at Kingstown on 29th September 1995 and Castries on 21 November 1996 for the restructuring of the banana industry
- to allow measures to be taken to target support for improvement to banana productivity and quality to those farmers who are considered able to survive in a fully competitive market environment, so as to raise production and exports towards the quota levels under the existing banana regime.
- to provide assistance to those farmers (and their families) who are unlikely to survive in a fully competitive market environment in finding alternative occupations.

- To ensure that individual growers receive the market return for the quality of their product, so that producers of good quality fruit do not subsidise the low quality producers
- To carry out a planning exercise in St Lucia, in order to identify areas where further cost reductions and efficiency improvements are possible within the marketing chain, and the precise measures by which these can be achieved.
- To encourage greater farmer choice in pursuing alternative options for the procurement of inputs and the supply of services
- To undertake a study which will lead to a measurable programme of debt reduction and a management strategy for the BGAs, and to achieve a sustainable financial position by the end of 1998
- To take measures to promote economic and agricultural diversification, enhanced opportunities for education and skills training for all, and community development for poverty reduction
- To produce an agricultural diversification strategy and plan.

RECENT DEVELOPMENTS

The Banana Industry of Saint Lucia has undergone significant developments in three major areas. These are:

- Changes to the European Marketing Regime
- Privatization of the Saint Lucia Banana Growers Association
- Implementation of the Banana Production Recovery Plan

These are discussed below.

CHANGES IN THE EUROPEAN MARKETING REGIME

The introduction of a new EU banana import regime in July 1993, while continuing preferential access for ACP bananas, also increased access to the UK market for lower cost "Dollar Bananas" from Latin America. This, together with practical management problems in the early implementation of the new regulations, led to an initial period of greater price volatility and lower-than-average prices in the marketplace. Under these arrangements, the ACP producers, including producers in Saint Lucia, were allowed to export duty-free a quantity equivalent to their highest exports up to 1990. The quota for Saint Lucia under the 1993 arrangement was 127,000 metric tonnes.

Since the new EC banana regime and rules were implemented in 1993, they have been subjected to continuing legal challenges, brought mainly by countries having interests in the production and/or marketing of "Dollar Bananas". These culminated in the WTO's ruling against certain elements of the regime, and the introduction of a new European banana-marketing regime from 1 January 1999.

Under the new regime, individual quotas for ACP countries were gathered into a common ACP quota of 87,000 MT annually. Saint Lucia banana exports into Europe were thus no longer protected by an individual quota, but would have to compete for entry into the market with the banana exports of other ACP countries. In the short term, this would have been of no significance, since total ACP banana exports are estimated to be less than 700,000 MT. However, in the longer term, it is clear that given the moves of other ACP countries (particularly

those in Africa) to increase banana production substantially, competition within the quota would be a reality that St. Lucia and the other Windward Islands producers would have to confront.

At the same time, the “B” licence regime, which effectively subsidized the prices received by ACP producers through the sale of “B” licences to other importers, was discontinued, thus substantially reducing the net income received by the ACP banana industry.

The importers of fruit into Europe were nevertheless restricted by a licencing system, which allowed them to import an annual volume of fruit equivalent to the average volume imported during 1994, 1995 and 1996. This licence, held by WIBDECO UK allowed for the importation of approximately 135,000 MT of bananas from any source, although it was, of course, expected that preference would have been given to the importation of Windward Island fruit. The United States and Ecuador have, however, successfully challenged the legitimacy of this regime, and this has serious implications for the future viability of the industry.

RECENT WTO RULINGS

The recent rulings by the Panel on European Communities - Regime for the Importation, Sale and Distribution of Bananas and the Arbitrators on European Communities - Regime for the Importation, Sale and Distribution of Bananas that key elements of the amended EU banana regime are not WTO compliant have ushered in a new period of uncertainty for the industry in the Windward Islands. The rulings stated, inter alia, that:

- In respect of GATT Article XIII, the 875,000 tonne limit on traditional ACP imports is a tariff quota, and therefore subject to, and in violation of, that Article;
- The allocation of the GATT-bound MFN quotas to the four principal suppliers: the panel considers that in the absence of a WTO-consistent reference period, such allocation can only be carried out by agreement, and that it too violates, consequently, GATT Article XIII;
- In respect of GATS, the system for allocation of import licenses violates both Article II and Article XVII in that it was considered to carry on (at least part of) the discriminations of the past. Also, the criteria for acquiring "newcomer" status violate Article XVII of GATS.

The Panel, at the request of Ecuador, suggested three options open to the European Community for bringing its banana import regime into conformity with WTO rules:

- The EC could implement a tariff-only system, without a tariff quota, to include a tariff preference for ACP bananas;
- The EC could implement a tariff-only system for third countries, with a tariff quota for ACP bananas covered by a suitable waiver; or
- The EC could maintain its current bound and autonomous MFN tariff quotas, and grant ACP imports extended duty-free treatment (not capped as at present to 857,000 tonnes, which was found to be tantamount to a quota) with an appropriate waiver, or it could create a quota for ACP imports (as is currently the case) for which an appropriate GATT Article XIII waiver would be necessary.

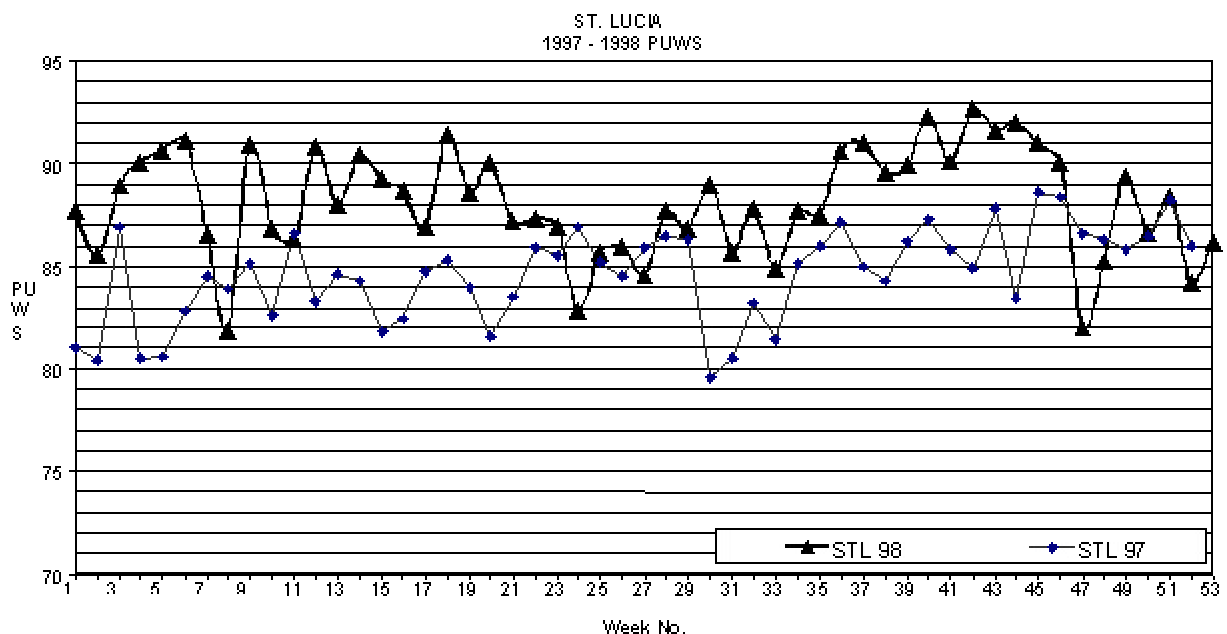
The Panel also indicated that were the European Community to opt for a system involving tariff quotas, and consequently allocation of import licenses, then both first-come first-served and auctioning would be WTO-consistent systems.

The first two options suggested by the Panel are premised on a tariff-only system, and involve the scrapping of the existing tariff rate quota (TRQ). This would result in a significant reduction of the market price for Caribbean bananas, thereby making it extremely difficult to maintain the viability of the banana industry. The third option encompasses the possibility of the EC maintaining the

TRQ with a separate tariff quota for ACP imports. This option is the least harmful of those offered by the Panel, but would clearly require an extended waiver to cover breaches of Article XIII. The Panel's emphasis on the carry-on effect of license allocations in favour of Category B operators and ripeners lends support to the view that it may be possible to preserve some elements of the existing licensing system if those aspects of the old licensing regime that caused the greatest distortions in the market were to be effectively eliminated.

Consumers in the United Kingdom and southern Italy show a marked preference for Windward Island fruit above any other, and demonstrate a willingness to pay a premium price for this fruit. The increasing dominance of the supermarkets in the UK banana trade, currently estimated to account for nearly 80% of bananas sold to the consumer, has compelled the Windward Islands to meet the specific requirements of the supermarket sector. This has placed considerable pressure on the banana industry to achieve higher standards of quality and consistency, and will undoubtedly also require the industry to meet further environmental and social standards in the future.

The Banana Industry has responded to these challenges by implementing programmes to improve the quality of their bananas and reduce the cost of marketing. The islands have completely overhauled their quality assurance and control systems and adopted improved fruit processing technologies in their drive towards achieving top quality throughout the year. The graph below presents the dramatic stride in quality improvement achieved by Saint Lucia between 1997 and 1998 as a direct result of the actions implemented by the industry.



The adoption of the Certified Grower Programme in 1996, to develop a pool of farmers producing fruit of the required quality consistently under conditions acceptable to the supermarket trade, has been highly successful and the Industry has been able to place its fruit in the top supermarkets in the UK. An estimated 40% of total production now comes from Certified Farmers and this (and fruit from other farmers) now achieve unprecedented quality levels.

As a result of this improvement in quality, the demand by such leading British supermarkets as J Sainsbury's for fruit from Saint Lucia has increased substantially and current orders now outstrip

supply. This achievement clearly demonstrates that major projects can be successfully initiated and implemented in the Saint Lucia banana industry.

THE MARKETING OF BANANAS IN EUROPE

For all fresh produce, including bananas, there has been a revolution in retailing in the UK since the beginning of the decade. This is due to the increasingly dominant role of the major supermarket chains, which not only have taken a sharply increased share of the market, but also have introduced several key new elements to the marketing of the fruit. In 1996, the supermarkets sold 75% of bananas retailed in the UK and the share has continued to rise. Developments in the rest of Europe have not been so rapid. However, the UK market is the key market for Windward Island bananas, as it is the market that has a traditional preference for these fruit, and it can easily absorb forecasted production.

Until recently, a banana was a banana in the UK. Much has now changed, and the pace of change is being maintained. The larger multiples now offer a wide range of fresh banana products. There is differentiation by size, by linkage to co-branded products, by stage of ripeness, by colour and by production and trade system (organic, fair-trade etc.). Increasingly, more sophisticated 'category management' practices will be initiated, and the challenge for major banana distributors will be to establish themselves as the 'Category Captains' to key retailers.

Understanding these developments is crucial for the Windward Islands. Initially, Windward Island fruit fared badly due to inconsistent quality and supply. However, progress with grower and farm certification and the development of direct relationships with major retailers such as Tesco and Sainsbury's have begun to yield good results. For these buyers, traceability, reliability and quality are essential. Given these, a partnership approach to the development of niche markets for Windwards fruit is clearly the optimum strategy to follow. The Windward Islands must maximize the advantage that can be derived from their small scale. They must be responsive, innovative, and customer conscious to ensure their survival.

If this strategy is implemented successfully, then premium prices will be secured for bananas from the islands, and although prices may still fall as protection is removed, the price fall should be manageable through efficiency gains in the production and marketing process. Between 1985 and 1995, real banana prices in the UK declined by 35%. However this is thought to have only accounted for around 25% of the rapid increase in consumption over the same period (8% per annum). Indeed, research shows that UK banana shoppers are not strongly price sensitive and growth in demand is forecasted at 5% per annum for the next decade. Evidence suggests that the retailer "banana price war" of the mid 1990s did little to stimulate demand, but reduced margins for all involved in the business. If this is the case, then prices may hold up relatively well, particularly for niche-marketed fruit.

Additionally, the growing preference among consumers for environmentally friendly and socially acceptable modes of production strongly favours Windward Islands producers of bananas.

PRIVATIZATION OF THE ST. LUCIA BANANA GROWERS ASSOCIATION

The Saint Lucia Banana Growers Association (SLBGA) was a statutory institution established under the Saint Lucia Banana Growers Association Act of 1967. That Act empowered the Association to market and control all bananas produced in the State, and to be the sole exporting agency for bananas from Saint Lucia. Although subsequent amendments to the Act allowed first WINBAN and then WIBDECO to become the sole exporters of bananas from Saint Lucia, the Association maintained its right of ownership of all bananas delivered to it by growers, and its right to deduct an amount for cess from any payments made to growers. At the same time, the

Association was obliged to accept all banana growers in Saint Lucia as members and to accept all bananas of suitable quality for export.

In September 1998 the Saint Lucia Bananas Growers Association Act was repealed, and the SLBGA was dissolved, through the Saint Lucia Banana Growers Association (Dissolution) Act. The Act vested the assets, liabilities, privileges and obligations of the SLBGA in a new company, the Saint Lucia Banana Corporation (SLBC), which is privately owned by registered banana growers. Approximately 3,000 growers have registered and been given one share each. A Board of Directors has been elected at a meeting of the shareholders, and the Corporation has moved forward with cost cutting and divestment plans to increase its efficiency.

Shortly after the passing of the SLBGA (Dissolution) Act, it was legally confirmed that any other company wishing to purchase bananas from growers and export them through WIBDECO was in fact entitled to do so, and also that the statutory imposition of cess deductions without the agreement of the grower was in fact illegal. These judgements allowed the Tropical Quality Fruit Company (TQFC) to begin to purchase and export fruit from growers. This company has acquired a 15% share of the market in Saint Lucia.

The decision of the Government of Saint Lucia to privatise the banana industry has set the stage for the full commercialisation of the industry. The banana companies that have evolved out of this privatised environment are compelled to adopt financially prudent and cost-effective practises, and to ensure that a larger percentage of the returns are passed on to the farmers. The privatised competitive environment in St. Lucia ensures that (1) there is an effective system of corporate administration in the industry, (2) the banana companies operate in as cost-efficient a manner possible, (3) there is a greater sense of urgency and greater proactivity in these companies, (4) there is a more accountable system of ownership and control, with sanctions for non-performance and rewards for performance, and (5) that the industry is run along strict commercial lines. All of these redound to the benefit of the primary investor and stakeholder in the industry - the banana farmer. The privatisation of the banana industry has also removed what has traditionally been identified as an unnecessary obstacle to efficiency - Government and political interference. The new role for the Government of St. Lucia in this privatised environment is to ensure that there are clearly articulated and defined parameters within which all companies operate, and that there is regulation of the essential common services, such as pest and disease control and credit control.

In order to allow the stakeholders in the banana industry to play an even greater role in the formulation of policy and the management of the industry's resources, the Government has established the Banana Industry Trust. This mechanism allows for the maximisation of the financial resources placed in the industry, and encourages the investment of risk capital in the industry.

BANANA PRODUCTION RECOVERY PLAN

The Banana Production Recovery Plan was conceived at a meeting of the Governments and Banana Industries of the Windward Islands in April 1998, and completed and endorsed by all stakeholders, including the Government of Saint Lucia and representatives of the banana industry of Saint Lucia, in August 1998. It is now in the process of implementation.

The Recovery Plan, generated through a moderated Logical Framework Planning Workshop, is an integrated production recovery plan for all the Windward Islands. It is a holistic approach to resolving the problem of declining volumes, which is dependent upon the consensus of all stakeholders in the implementation of all its constituent parts.

The main short-term component of the Plan is to maintain grower prices for premium fruit at current levels for the next 18 months, with the intention of stimulating grower and investor confidence in the banana industry. This approach will be complemented by a major grower re-capitalisation programme, to meet the increased need for on-farm finance to sustain the desired increase in production of 50,000 tonnes in the first 18 months, and a further 40,000 tonnes thereafter. For Saint Lucia, the anticipated increase will be from 73,000 tonnes in 1998 to 90,000 tonnes in 1999, 100,000 tonnes in the year 2000 and 110,000 tonnes thereafter.

In the longer term, increased emphasis will be placed upon drainage and irrigation; up to 2,270 acres of drainage and 4,700 acres of irrigation will be installed over the course of the three-year plan. In Saint Lucia, it is expected to install irrigation for up to 2,000 acres and drainage for up to 1,500 acres of banana land.

Other significant elements of the Plan include a Publicity Campaign to improve the profile of the Industry and to encourage reinvestment, a Follower Setting Programme, the restructuring of both local and external industry debts and enhanced extension services to improve farm management capacity.

The Plan is holistic in its outlook and, therefore, its implementation is not expected to be affected by any changes that might be made to the institutional structure of the industry.

The plan is dependent upon financial commitments from the Donor Group, the WIBDECO/Fyffes Joint Venture, the Associations and the Governments.

The success of the Plan is dependent on all stakeholders effecting the activities in the Plan in their respective areas. A Plan Manager has been appointed to manage the implementation of the Plan, across the Windward Islands, through an Implementation Team comprising the management of the Association and/or successor or parallel organisations, in each island.

It is expected that the successful implementation of the plan will lead to an increased volume of quality fruit, within the next 18 months, together with increased investment, both on and off farm and improved efficiency of services throughout production to market chain. The Plan provides the conditions necessary for the sustainable economic recovery of the industry.

INTERNATIONAL COMPETITIVENESS OF THE INDUSTRY

Central American banana production systems have considerable comparative advantage over those in Saint Lucia. The key factors of production, land and labour are lower in cost and more productive, combining to enable producers to produce fruit at an FOB price of US\$ 4.50 per carton. This is a price that could not sustain the industry in Saint Lucia. As the level of protection available for Saint Lucian fruit in the market diminishes, strategies are being enacted to ensure that St. Lucian bananas can compete in the UK market.

These strategies rely upon the development of strong links with the major UK supermarket chains which, over the last decade have not only taken a sharply increased share of the market, but also have introduced several key new elements to the marketing of the fruit. In 1996, the supermarkets sold 75% of bananas retailed in the UK and the share has continued to rise. Developments in the rest of Europe have not been so rapid. However, the UK market is the key market for Windward Island bananas as it is the market that traditionally prefers them and it can easily absorb forecasted production.

Until recently there was little differentiation between different classes of banana in the UK. Much has now changed and the pace of change has not faltered. The larger multiples now offer a wide

range of fresh banana products. There is differentiation by size, by linkage to co-branded products, by stage of ripeness, by colour and by production and trade system (organic, fair-trade etc.).

It is therefore of vital importance that there is continued differentiation of the product so that Saint Lucian bananas do not compete with Central American fruit on a commodity basis. Considerable progress has been made towards this end with the introduction of the certification programme, special pack production and the establishment of relationships with key supermarket buyers. These build on the established preference for Windward bananas in the U.K., the more environmentally friendly production conditions (no need for Black Sigatoka control), and the less exploitative labour systems. This strategy is intended to avoid direct competition but is not sufficient alone to overcome the competitive gap. In addition it is vital that productivity is increased throughout the industry.

This means that yields must be significantly increased and efficiency improved in the post farm gate chain. These areas are being addressed through the re-structuring of the industry, both the grower base and the organisations that serve those growers. As cross subsidisation is removed, the inefficient growers are leaving the industry and the Production Recovery Programme provides resources to those targeted to remain (essentially the certified growers). This programme aims to enable certified growers to recapitalise their farms, expand their acreage and in some cases introduce irrigation systems, with significant results in improved productivity. In addition, the Windward Island Action Plan has been agreed which charts the way forward for the further commercialisation of the market chain.

Thus, although the comparative advantage of Central American producers cannot be denied, strategies are being implemented to enable the Saint Lucia industry to compete in the market place with lower and eventually no protection. Successful implementation should enable the industry to survive a significant drop in FOB prices.

SENSITIVITY ANALYSIS

Analysis of the cost structure of the banana production and export process shows that the critical variables are yield and quality of fruit produced. Yield impacts not only upon the variable and fixed costs of production, but also upon the costs of freight, while quality has a direct and significant effect upon the price received. At current yield levels, dead freight has a significant negative effect upon profitability. It is assumed that production will increase by at least 25% over the next 18 months to an average yield in excess of 7MT/acre, at which point the negative effects of dead freight will have been eliminated.

A model has been developed to examine the effects of changes in the main variables affecting the competitiveness of the industry in Saint Lucia. The sensitivity of grower profit per carton to variations in the yield change and FOT price are shown in the table below. It can be seen that, the industry can cope with a reduction in the FOT price for certified premium fruit from £11.50 per carton to £9.00 per carton, provided that the average yield can be increased to 10 MT/acre.

Grower Profit in EC\$ per Carton

Yield (MT/acre)	FOT Price (£/carton) –Certified Premium					
	7	8	9	10	11	12
5	-23.9	-21.1	-18.9	-17.1	-15.7	-14.5
6	-19.7	-16.9	-14.7	-12.9	-11.5	-10.3
7	-15.5	-12.7	-10.5	-8.7	-7.3	-6.1
8	-11.3	-8.4	-6.2	-4.5	-3.0	-1.8
9	-7.1	-4.2	-2.0	-0.3	1.2	2.4
10	-2.8	0.0	2.2	4.0	5.4	6.6
11	1.4	4.2	6.4	8.2	9.6	10.8
12	5.6	8.4	10.6	12.4	13.8	15.0
13	9.8	12.6	14.8	16.6	18.0	19.2

The FOT price of £9.00 per carton is equivalent to a FOB price of US\$9.16 per carton.

This analysis makes several assumptions regarding future scenarios. In particular, it assumes an improvement in fruit quality so that quality deductions from the FOT price are reduced by 60%. It also assumes that as a result of the development of the new Inland Reception and Distribution Centre (IRDC) facilities there will be 25% reductions in the cost of transport and reception. It also assumes that all production is of certified premium quality, which will not in fact be the case. To compensate for the fact that some non-premium fruit will inevitably be produced, average total yields must be increased by between 10% -15% to between 11 and 12 MT/acre. This is considered to be the practical limit to which average yields (currently averaging 5 Mt/acre) might be increased.

Of course the actual cost of production on the farm varies widely between growers depending on their location, level of capitalisation and management ability. However, the model shows the way forward for the industry and all certified growers are expected, with training and support, to be able to achieve a level of productivity that would enable them to continue despite a fall in the price available in the European market.

				Certified premium			Certified premium			
				CURRENT SITUATION			FUTURE SITUATION			
Volume shipped				75,676 boxes			94,595 boxes			
				1,400.00 tonnes			1,750.00 tonnes			
Per 41 pound Box										
				Sterling	\$EC	% of FOT	Sterling	\$EC	% of FOT	ASSUMPTIONS
FOT consistency	Price for	100%	11.50	50.03	100.00	9.00	39.15	100.00		
Quality adjustment				2.50	10.88	21.74	1.00	4.35	11.11	Quality adjustment reduced by 60%
FOT adjustments	Price after quality		9.00	39.15		8.00	34.80			
WIBDECO UK (0.6%)			0.07	0.30	0.60	0.05	0.23	0.60		
Shipping Costs										
Freight and deadfreight				2.12	9.22	18.43	1.73	7.53	19.22	No unplanned deadfreight
Discharging				0.38	1.65	3.30	0.38	1.65	4.22	
Other deductions (ins, CBEA, bunker, def)				0.15	0.65	1.30	0.15	0.65	1.67	

Sub-total	2.65	11.53	23.04	2.26	9.83	25.11	
f.o.b. Price	6.28	27.32		5.69	24.73		
f.o.b. Price (\$US)	10.12			9.16			
Loading	0.30	1.31	2.61	0.30	1.31	3.33	
WIBDECO WI (2.5%)	0.16	0.68	1.37	0.14	0.62	1.58	
Price to Banana Company	5.82	25.33		5.24	22.81		8.65235
Exchange Rate \$EC: Sterling	4.35			4.35			
Service Costs							
Reception		1.13	2.26		0.85	2.16	Reduced by 25% (IRDCs)
Field Operations		0.51	1.02		0.26	0.65	
Establishment, head office, Admin		0.92	1.84		0.46	1.17	
Interest, debts, forfeitures		0.32	0.64		0.16	0.41	
Sub-total		2.88	5.76		1.72	4.40	
Transport - farmgate to port		1.75	3.50		1.31	3.35	Reduced by 25%
WINCROP Premiums		0.82	1.64		0.82	2.09	
Farmgate price		19.88	39.75		18.96	48.42	
on farm direct costs							
Yield in boxes per acre	270.3			540.5			
Yield in tonnes per acre	5.0			10.0			
Carton cost (Incl. Liner etc, delivered to farm)		4.51	9.02		4.06	10.37	Reduced by 10%
Fungicide and labels		0.18	0.35		0.18	0.45	
Disease control (Leaf spot & spidermite)		0.72	1.43		0.36	0.91	
Chemical inputs		10.41	20.81		5.21	13.30	
Labour		14.20	28.39		7.10	18.14	
Fixed costs		2.99	5.98		1.49	3.82	
Capital Depreciation		1.65	3.30		0.83	2.11	
Sub-total		34.66	69.28		19.22	49.09	
Grower's Profit		(14.78)			(0.26)		

STRATEGY FOR THE SAINT LUCIA BANANA INDUSTRY

OBJECTIVES

It is recognized that the production of quality bananas for a market consisting of the UK multiples currently represents the most cost effective use of the natural resources available within Saint Lucia for the generation of foreign exchange income for the island. It is also recognized that this market will become increasingly competitive within the next five years. In the light of the above, given the external challenges and internal constraints, the Government's strategy for the Banana Industry of Saint Lucia is intended to promote the growth of an efficient industry that is able to compete in a liberalized world market on a sustainable and competitive basis, by the following strategic priorities:

1. The creation of an enabling environment to allow local savings and finance to be revolved within the industry and to attract further investment into the industry.
2. The provision of an adequate regulatory framework to provide the necessary security to both small- and large-scale investors, and to promote stability within the industry.
3. The liberalization of the industry to promote competition and efficiency at all levels.
4. The promotion of bananas in traditional and non-traditional markets.

CREATION OF AN ENABLING ENVIRONMENT

The creation of an enabling environment for the Banana Industry will be achieved through various means:

The establishment of an enabling institution - The Banana Industry Trust – which will hold financial and physical assets on behalf of the industry. The Trust will hold funds which may be disbursed to targeted stakeholders within the industry as loans, or may be made available to develop the infrastructure of the industry on a grant basis. The Trust will undertake the following functions:

The disbursement of a revolving credit fund to stakeholders within the industry for on-lending to growers for the purposes of:

Grower recapitalisation

Certification

On Farm drainage and irrigation works

The disbursement of funds to institutions, for the purposes of off-farm infrastructural development, including irrigation and drainage works and other projects such as the construction of feeder roads, as may be deemed necessary to improve the productive environment of banana growers in Saint Lucia.

The holding and management of physical assets such as Inland Reception and Distribution Centres, on behalf of the Banana Industry of Saint Lucia.

The disbursement of funds for technical assistance either to institutions or to individual growers.

The granting of all tax reliefs and rebates, duty exemptions and all other benefits and incentives previously conferred upon the SLBGA, to all legally constituted organisations actively involved in the production, processing and marketing of bananas.

The establishment, within the National Development Corporation, of an investment locus to promote investment in those areas of business associated with the production, processing and export of bananas. This Investment Locus will actively promote Saint Lucian banana growers as a reliable source of a raw material for export as green bananas, or for processing into chips, jams, chutneys, baby foods and other value-added products. This will facilitate congruence with the on-going activities of the National Development Corporation in promoting Saint Lucia as a profitable, hassle-free environment for lucrative investments in agriculture, light manufacturing, tourism and informatics.

The provision of advisory assistance for strengthening management capabilities of national banana companies:

This component of the initiative will assist the Industry to strengthen its management capabilities. Activities to be undertaken are geared at providing technical and financial assistance to those organisations involved in some aspect of the industry including the Ministry of Agriculture, Banana Companies, and Research and Development Organisations. The activities to be undertaken will include the provision of training for various persons operating at different levels in the industry. A concerted and comprehensive training programme to help growers develop and improve business management skills will be implemented, so that they may operate more effectively in the liberalised commercial environment.

Additional activities will include:

The establishment or enhancement of an information and data collection system to provide timely production and market information;

The development of a more focussed extension service;

The establishment of effective quality control systems;

The conduct of relevant seminars and training workshops;

The establishment of a Monitoring and Evaluation Unit, which, among other things, would be responsible for the certification and/or decertification of farmers, and ensure adherence to other relevant industry standards.

The training of Boards of Directors of banana companies and committee members in management and financial matters

An investigation into the feasibility of providing input loan insurance

The establishment of a growers pension scheme

PROVISION OF A REGULATORY FRAMEWORK

To promote stability within the industry, and to provide the necessary security to all stakeholders, Government will develop and strengthen its regulatory framework for the banana industry. In particular, the following areas will be addressed:

DISEASE CONTROL

The monitoring and control of diseases, particularly Yellow Sigatoka, in banana plantations has always been carried out by the Growers Association. In a liberalised banana industry, such obligations are no longer mandatory, and it will be the responsibility of each individual grower to ensure that disease levels on his/her farms are kept under control. Since, in such an environment, the negligence of individual growers may impact adversely upon neighbouring growers and on the industry, it will be necessary to ensure that all growers adhere to minimum standards.

Legislation exists whereby the Minister of Agriculture may take action to control the spread of disease. This legislation will be strengthened to allow for the setting up of an independent Authority that will:

- Determine, publicise and enforce best practices and standards necessary to control the spread of disease.
- Monitor levels of plant disease, inspecting growers on a regular basis.
- Administer fines, destroy abandoned crops or take other actions as may be necessary to ensure that disease levels are kept to a practical minimum.

ADMINISTRATION AND PROTECTION OF WATER RIGHTS

The growth of the banana industry will depend, to a significant extent, upon the development of irrigation projects, which frequently require substantial investment. Such investment will only be secure if the right to extract water for irrigation can be itself secured and protected. Currently, the legislation securing and protecting water rights and the administration implementing such legislation are less than adequate. The necessary Authority will be established/strengthened, supported by the necessary legislation that will allow it to:

- Develop and maintain an equitable system of water rights and charges for all water utilised by irrigation schemes.
- Prohibit and prevent the unauthorised extraction of water.

MAINTENANCE OF DRAINAGE AND IRRIGATION FACILITIES

Substantial investments into drainage have been made in the past, but many such investments have yielded only short-term benefits to the banana industry as a result of inadequate maintenance. It is proposed to set up an independent Authority, which will be empowered by legislation to carry out the following:

- To undertake drainage works and to maintain drains.
- To charge the beneficiaries of drainage systems such amounts as may be necessary to cover the costs of maintaining those systems.
- To undertake and maintain soil conservation measures on public land as may be necessary to maintain effective drainage.

- To enforce the provision of adequate soil conservation measures on privately held land.
- To implement the recommendations from the EU funded Water Management Study

REGISTRATION OF CHARGES FOR CREDIT

The provision of credit to growers is fundamental to the continued growth and development of the banana industry. The liberalisation of the industry may give rise to a situation whereby loans, made available to growers through one institution, based upon the security of banana sales proceeds, may not be repaid if growers then proceed to sell through an institution different to that which provided the loans.

Such a situation would compromise the integrity of the credit facilities and may impose a restriction on the growth of the industry. It is proposed that, in order to secure the interests of lenders, legislation should be passed to enable the charge upon the growing banana crop and its eventual sales proceeds to be registered. The registered charge, if not honoured by the grower, could then be visited upon the buyer of the crop. This would secure the interests of those making credit available and would ensure that sufficient finance is available for the continued growth and development of the industry.

LAND USE

The availability of suitable land for the production of bananas has, in the past, been restricted by the use of agricultural land for purposes other than agriculture. Since land is such a limited resource in Saint Lucia, it is important to ensure that every acre is used in the most effective and productive manner possible. It is recognised, therefore, that there is a need for a clearly articulated land use policy.

INFORMATION MANAGEMENT

In order to be able to monitor the status of the banana industry and to allow for the adjustment of strategies and policies to reflect external dynamics, the Government requires timely and accurate statistical data. A mechanism will therefore be instituted that will allow for the collection of data on each grower's location, area under banana cultivation, physical yield and any other statistics that may be deemed necessary. It will be the responsibility of the Ministry of Agriculture, Forestry, Fisheries and the Environment to manage this information.

Provision will also be made for the establishment of a registration system for producers and the digital monitoring of production (quantity and quality) at the point of purchase (via bar coding). The information from this digital monitoring will be used by the Monitoring and Evaluation Unit.

Dead freight and left back fruit continue to visit significant and sometimes crippling costs on the industry in general, and the farmer in particular. The improvement of production forecasting is an important component of any strategy for increasing the commercial viability of the banana industry. Therefore, assistance will be provided via technical support and institutional capacity building to improve the present production forecasting system to one that employs modern, accurate statistical techniques.

LIBERALISATION

The banana industry in Saint Lucia has already undergone extensive liberalisation with the passing of the Saint Lucia Banana Growers Association (Dissolution) Act of 1998. Further liberalisation measures will be introduced to allow for the fullest participation of all stakeholders in the industry. These will include:

RE-ENGINEERING OF MARKETING ARRANGEMENTS

The Government of Saint Lucia will continue its lobby for the implementation of the salient aspects of the various studies of the current marketing arrangements for Windward Islands Bananas with a view towards increasing efficiencies, eliminating all unnecessary costs and layers, and maximizing the net returns to the growers.

Greater integration between the operations of GEEST and WIBDECO will be sought, and WIBDECO will be encouraged to re-engineer its organisational structure and business functions to allow it to deal effectively with the strategic challenges facing the industry.

INPUTS AND SERVICES SECTOR

The role of the inputs and services supply sector in the banana industry has been, hitherto, largely restricted to the growers' associations. This has been due to the cess account system, and the fact that the associations have generally been the prime source of credit for banana growers. Hence, the associations have controlled funds for inputs or services and the functions have remained largely "in-house".

It is proposed to enlarge the role of alternative inputs and services suppliers, by making finance available to them directly, through the auspices of the Banana Industry Trust, for onward lending to growers. This will place upon the suppliers the responsibility for managing the credit that they disburse, but will also allow them access to a larger market than before.

PROMOTION OF BANANAS AND BANANA PRODUCTS

The activities to be undertaken under this component will be supportive of on-going efforts aimed at securing continued access to traditional markets in Europe and widening the access for Caribbean bananas and their by-products to other markets. The following activities are contemplated:

- Conduct of market research in non-traditional markets;
- Development and commercialisation of alternative end uses and by-products of bananas
- Determination of strategies to maintain or increase current levels of exports to traditional market and penetration of new markets; and

On the basis of the above, a marketing programme will be developed.

AGRICULTURAL DIVERSIFICATION

Given the challenges facing the Banana Industry, there is an urgent need to reengineer the agricultural sector to facilitate its evolution into an internationally competitive market oriented sector. The strategic priority will be to foster growth and stability in the Agricultural Sector by the following avenues:

- § Identify and develop alternative sources of income generation
- § Decrease the dependency on a single crop for foreign exchange
- § Explore and exploit niche markets for non-traditional products
- § Optimise the employment opportunities within the agricultural sector

The achievement of the abovementioned necessitates the creation of the requisite environment to motivate farmers to participate in the diversification of the Agricultural Sector. The creation of this requisite environment has to be done in two dimensions, viz. the development of export earning potential and the promotion of domestic production for food security. To this end, the capacity of selected commodities to facilitate increased export earnings and to meet domestic food demand will be reviewed. The creation of this enabling environment also requires that attention be directed on the factors of production and on marketing.

The creation of the enabling environment for agricultural diversification will, therefore, be achieved through the following strategic interventions:

MARKETING

The retail operations of the St. Lucia Marketing Board will be privatised. A Marketing Agency will be established, initially within the Ministry of Agriculture, Forestry, Fisheries and the Environment (MAFFE), that will be responsible for facilitating the trade of agricultural produce. This Agency will oversee the implementation of a system of grades and standards for all agricultural commodities offered for sale domestically and externally, and will source market opportunities for local agricultural products. It is expected that this Agency will work in close collaboration with the Ministry of Foreign Affairs and International Trade and the National Development Corporation, and will use the external offices of these organisations to assist in the external marketing effort. The Marketing Agency will also be responsible for the coordination of national agricultural production and marketing initiatives, and will liaise closely with the Extension Division, Farmer and Commodity Organisations, Fresh Produce Exporters and all other relevant groups.

INFRASTRUCTURE

Improvements will be made to the infrastructure required to support agricultural activity. Farm Access Roads will be rehabilitated through the existing Farm Access Road Project, which is a joint initiative between the MAFFE and the Ministry of Communications, Works, Transport and Public Utilities. External funding agencies, such as the Caribbean Development Bank, will also be encouraged to invest in the rehabilitation of off-farm infrastructure.

Investment in Irrigation and Drainage infrastructure will be encouraged through the passage of legislation to protect water rights and regulate water abstraction. Existing credit facilities will be enhanced to permit greater access to capital for on-farm irrigation and drainage, while the

necessary off-farm irrigation infrastructure will be developed. Water Resource Management will be accorded high priority, and rehabilitation work will be undertaken in critical watersheds.

Port facilities will be enhanced to allow for the efficient reception and storage of agricultural produce for export. Strategically-located Reception and Distribution Centres will be developed and enhanced to minimise the cost of transportation of produce, reduce on the amount of time spent on the delivery of produce, and improve the packaging and overall quality of the produce. Support will also be provided for on-farm storage facilities where these are seen to be feasible and cost-effective.

ACCESS TO CAPITAL

The Rural Economic Diversification Incentives Project (REDIP) currently being implemented by the MAFFE has been found to be an effective tool for providing greater access to credit for agricultural enterprises. This project will be broadened and strengthened to allow it to make credit available to a wider cross-section of beneficiaries and for an expanded range of agricultural projects.

Consideration will also be given to facilitating the provision of insurance for agricultural activity. Such underwriting of the risks involved in agriculture will encourage farmers to make the necessary improvements to increase current levels of production and expand production out of the traditional 'safe' revenue earning activities.

SUPPLY OF INPUTS

Input supply, consistent with what has taken place in the privatised banana industry, will take place in a competitive, privatised environment. In order to make inputs more easily accessible by farmers, the strategy will encourage and facilitate the establishment of commercially sustainable community-based input supply outlets.

GRADES AND STANDARDS

The St. Lucia Bureau of Standards will be strengthened to ensure that there is compliance with established standards. Additionally, a national campaign of public information and education will be initiated to sensitise the public to the importance of ensuring strict adherence to grades and standards and the benefits of such standards.

AGRO-PROCESSING

The development of an agro-processing sub-sector will be encouraged and facilitated through cottage industry. This approach is expected to be more sustainable and viable than one that involves the establishment of large state-run multi-processing enterprises. Therefore, cottage industry development will be encouraged by providing access to credit and facilitating easier access to the required inputs (including packaging material). Additionally, cottage-level processors will be assisted with quality control of their products, product promotion and niche marketing, and the adaptation of appropriate technology. It is anticipated that this level of intervention will catalyse the rapid growth and development of a private-sector market-driven industry.

ORGANIC FARMING

The global market for organic products has experienced exponential-like growth over the past few years, and indicators point to a continuation in this trend in the near future. Therefore, the agricultural diversification strategy will seek to exploit this market. Already, many domestic production systems predispose themselves to easy adaptation to the requirements for organic farming, and these will be further developed. Additionally, alternative trade networks that use organic products for cosmetics, pharmaceuticals and other by-products will be penetrated to facilitate linkages between the smaller community-level producers of these products and the higher income level consumers who use these products in the more industrialised countries.

TECHNOLOGICAL ADVANCEMENT

An effective diversification strategy is highly dependent on the generation, adaptation and transfer of appropriate technologies. Technological input is necessary for sharpening the competitive edge of local industry. Consequently, national research and development capacity will be strengthened, and wherever and whenever possible, effective linkages will be cultivated with regional and international technology institutions. The strategy for technological advancement will also seek to foster more effective delivery and adoption of the outputs of research and development.

FOOD SECURITY AND SAFETY

Initiatives designed to enhance consumer preference for locally produced food items will be promoted. The Buy-Local Campaign initiated by the Ministry of Commerce, Industry and Consumer Affairs will be used as one such vehicle to achieve this objective. Additionally, a system will be established for the routine monitoring of the integrity of agricultural produce.

SANITARY AND PHYTOSANITARY MEASURES

In order to ensure strict adherence to all aspects of agricultural health, effective certification and inspection systems will be instituted.

NATURAL RESOURCE MANAGEMENT

Initiatives that promote sustainable use of the country's natural resources will be pursued. In this regard, due consideration will be given to the development of eco-tourism and agro-forestry enterprises. Additionally, careful attention will be paid to critical elements such as integrated watershed management and soil conservation. Where necessary, the institutional capacity for natural resource management (including review of legislation and enforcement capability) will be strengthened.

INSTITUTIONAL CAPACITY BUILDING

Multi-partite relationships within the sector that are conducive to the effective implementation of the diversification strategy will be enhanced. Initiatives in this respect will include the development and adoption of an agriculture sector policy and plan and the finalisation of institutional reviews of the MAFFE and allied agencies.

Farmers' organisations will be strengthened to enhance the capacity of the farmers to engage effectively in the diversification thrust. This strengthening will result in improved management techniques, greater entrepreneurship, and the sustainability of the group structure.

SOCIAL RECOVERY PLAN

A critical outcome of the banana restructuring process is the removal of up to 2,200 farmers and their families from the banana sector. This represents, in a direct way, the displacement of as many as 10,000 persons from their sphere of economic activity.

Banana-dependent families working in the most marginal areas or with the least labour resources will experience profound social problems. The loss of solvency and dignity may result in alcoholism, involvement with drugs, partner and child abuse, impotence, severe anxiety and depression, and even occasional suicide. As the industry moves towards greater profitability and efficiency, welfare subsidies previously enjoyed by marginal, non-commercially viable farmers are removed. The removal of subsidies results not only in economic hardship but also in dramatic social dislocation, which disrupts the economic and social stability of banana-growing communities. Therefore, there is a need for a Government programme that simultaneously addresses emerging social imperatives and provides new avenues for employment. Particular attention must be given to the newly created vulnerable groups such as the youth and the elderly, as the chances for their survival have significantly diminished.

As a means of providing assistance to those farmers (and their families) who are unlikely to survive in a fully competitive market environment, interventions are required in the following areas:

Adult education

Housing and sanitation

Community empowerment

Rural women

Reproductive health care

Recreation and sports facilities

Child protection

Drug prevention and rehabilitation

Counselling and care

Partner abuse

Elderly care

Skills training

Legal and financial planning and advice

Labour productivity

Land reform

Pension scheme

Additionally, there is a critical need for effective inter-agency collaboration and co-ordination to ensure that the needs of the most vulnerable groups are attended to.

ADULT EDUCATION

This will seek to provide educational opportunities for adults formerly employed in the banana and wider agricultural sector and adults in banana-dependent communities.

HOUSING AND SANITATION

Poor housing and sanitation are among the factors contributing to poverty. Many of the rural areas are prone to hurricanes and flooding, and there is a need for improved housing and sanitation in these areas. However, many persons are now finding it difficult to qualify, or access credit institutions, to receive assistance to repair their homes.

COMMUNITY EMPOWERMENT

This will involve projects aimed at alleviating poverty among banana workers and support for initiatives in affected communities. This may also include assistance for training of community groups in problem analysis, project identification and preparation, group development, programme planning and evaluation. The primary objective is to empower communities to identify and resolve their own problems, rather than depend on Government for solutions. This initiative may be linked with the local Government reform process. Additionally, initiatives will be encouraged to revive the Club structure in rural communities.

RURAL WOMEN

Support will be provided for projects that improve the economic status of rural women and remove their invisibility. This will include initiatives that support women's role as principal caregivers and mobilisers of non-economic resources.

REPRODUCTIVE HEALTH CARE

Lack of knowledge about human reproduction and human sexuality has been identified as a concern in rural communities experiencing the social upheavals brought on by banana industry restructuring. Consequently, interventions in this area will encompass sex education training, family choice methods, counselling, and providing income-generating opportunities for young women.

RECREATION AND SPORTS FACILITIES

Inadequate recreational and sporting facilities result in a deficiency of avenues for the release of creative energy in rural communities. The rising level of unemployment especially has led to large numbers of young people being idle and gathering without any constructive activity taking place. Unquestionably, there is a need for facilities that can engage the attention of the unemployed. Projects aimed at improving the quality and quantity of recreational and sporting facilities will be pursued.

CHILD PROTECTION

Social services will be expanded to address incidents of child abuse and domestic violence. Supporting NGOs will be allowed access to financial resources to expand and improve on the services that they provide. Also, funding support will be provided for the care and counselling of the victims of domestic abuse.

DRUG PREVENTION AND REHABILITATION

The increasing use of drugs in banana producing communities is cause for tremendous concern. Increasing unemployment provides the ideal source of frustration and hopelessness for many persons who find drugs abuse as an attractive alternative. Support will be given to initiatives that seek to discourage the use and abuse of drugs. Special support will be given to the rehabilitation of drug addicts and their integration with other programmes that allow for self-development and personal advancement.

ELDERLY CARE

Banana workers are typically older than workers in other sectors, and face greater problems due to their remote location, working environment and absence of insurance and pension schemes. Consideration will therefore be given to providing emergency assistance and instituting schemes for persons who remain in the industry.

SKILLS TRAINING

In the light of the low success rate of small businesses, financial resources will be allocated for the establishment of a National Apprenticeship Programme. This will provide initial training for young men and women and prepare them for the job market. The programme will provide apprenticeship to enable the trainees to develop the attitudes, discipline and skills required in the modern workplace. Other areas that will be considered for funding include the costs of research, the establishment and promotion of the NAP, orientation and training for the host agencies and trainee apprentices. Additionally, funding may be provided for a package of incentives to private sector businesses to encourage their participation, support to Government agencies to provide facilities to accommodate the trainees, small stipends/honoraria for apprentices to meet basic costs such as transportation, lunches, specialised clothing and tools.

Additionally, funds will be allocated, for disbursement through the National Research and Development Foundation (NRDF) and the Credit Unions, for the establishment of a revolving credit facility that will allow successful graduates to establish enterprises in the areas in which they have been trained. Existing mechanisms such as the Small Enterprise Development Unit will be utilised whenever and wherever possible.

LEGAL AND FINANCIAL PLANNING AND ADVICE

Farmers who are in debt will require financial and legal advice to help them manage their repayments, reduce their liabilities and manage their assets. Consideration will be given to the provision of legal, financial and commercial advice on a subsidised basis.

LABOUR PRODUCTIVITY

Labour productivity in the agricultural sector is low and is a major constraint to the further development of the sector. Modalities will be explored to increase labour productivity and expand employment opportunities. There will be constructive engagements with the trade unions in this regard, and existing regional productivity councils will be reviewed with the intention of emulating their successes.

LAND REFORM

The availability of land and its ease of transfer between owners and family members are major issues impacting on sustainable development in the agricultural sector. Uncertain land tenure makes access to capital for infrastructural investment difficult, if not impossible. Active consideration will be given, therefore, to the initiation of a major land titling and tenure programme.

FARMERS PENSION SCHEME

The 1996, St Lucia Census of Agriculture indicated that the average age of farmers (holders) was increasing, and that the average farmer was 50 years old.

The farmer as the owner/operator and employer, invests most of his time and energy into meeting immediate production requirements and very little, if any time in planning for his retirement. If the sector is to assure the continued capacity to produce by recruiting and attracting the youth, a retirement support programme must be placed high on the agenda. The first step will be to conduct a study that would seek to explore the possibility of introducing a farmers' pension scheme and identifying the type of institutional arrangement that must be put in place to assist farmers in planning for their retirement.

ASSUMPTIONS

Coherence must be established between the areas indicated for support from the SSA Funds and the economic and social developments expressed by the Government of St Lucia (GOSL) in its “Medium-Term Economic Strategy Paper” (MTESP), inclusive of the Public Sector Investment Plan (PSIP). These include:

- To increase the rate of economic growth beyond the 1% level.

- To reduce the level of unemployment and poverty

- To increase the level of savings and investment

- To increase the level of productivity

- To improve the standard of living of the population

- To protect the environment

In order to achieve these objectives the Government of St Lucia has agreed:

- To contain Central Government current expenditure

- To embark upon comprehensive tax reform in order to widen the revenue base and stimulate private sector development

- To continue to improve the human resource base of the country

- To maintain and strategically expand the country's infra-structural network

- To implement the National Environment Action Plan

- To develop and implement a poverty reduction strategy and plan

- To improve access of the wider population to basic social services and amenities

The strategy for the use of the SSA funds articulates interventions in support of banana industry commercial viability, agricultural diversification, income generation and employment creation via broadened spheres of economic activity, and poverty alleviation through the provision of appropriate social safety nets. Thus, there is very close congruence between this Strategy Paper and the MTESP and PSIP.

The Strategy assumes that (1) Government of St Lucia and the Banana Organisations will adhere to their commitments.

The Government of St Lucia has undertaken to:

- Implement Banana Industry Debt Restructuring Plans (completed)

- Pass the legislation required to initiate changes to the governance and management of the industry (completed)

Not influence commercial management decisions in WIBDECO and other Banana Companies (accomplished through privatisation of the industry)

Adhere to the restructuring of the banana industry and the diversification of the agricultural sector

WIBDECO as the regional leader in the restructuring of the banana industry has undertaken to:

Base its activities solely on commercial criteria

Not increase the level of indebtedness of the industry to affect returns to growers

Introduce/refine (1) bonus and penalty-pricing systems, (2) grower's contracts and (3) EU and, where appropriate, trade quality standards.

The Banana Companies have undertaken to:

Base their activities solely on commercial criteria

Not increase the levels of indebtedness of the industry to affect returns of growers

Introduce/refine (1) bonus and penalty pricing systems, (2) grower contracts and (3) EU and, where appropriate, trade quality standards.

Adhere to the restructuring of the banana industry and the diversification of the agricultural sector

RISK AND FLEXIBILITY

The risks are that the above assumptions are not fulfilled. The SSA funded regional programme to Technical Assistance to the Banana Industry will provide the banana industry with the skills to assist in detailed project design and implementation, thereby further reducing risk. Further risk originates from drastic changes to the marketing arrangements for Windward Island bananas.

The Strategy should have the flexibility to adapt to changes brought about by significant alterations to the trading arrangements for Windward Island bananas, or to unforeseen natural phenomena. Further flexibility will be possible through co-operation and co-ordination with other agencies such as the Caribbean Development Bank, Overseas Development Agency, Food and Agriculture Organisation of the United Nations, United Nations Development Programme, and International Fund for Agricultural Development that are willing to provide further financial and technical assistance.

IMPLEMENTATION PROCEDURES

The Banana Commercialisation Programme will be implemented through a redefined Production Recovery Plan (PRP) mechanism. The PRP will be revisited to allow for a review of its targets and interventions, and for the inclusion of areas not covered in the original plan. Implementation will be undertaken by the respective banana companies, with the necessary technical support from the MAFFE and WIBDECO. The Banana programme will be managed by a Programme Co-ordinator.

The Agricultural Diversification Programme will be implemented by the MAFFE, allied agricultural institutions, and farmer organisations. An Agricultural Diversification Programme Co-ordinator, based in the MAFFE, will be employed to oversee the implementation of the various elements of the programme.

The Social Recovery Programme will be implemented by the MAFFE, the Ministries of Education, Human Resource Development, Youth and Sports, Community Development and Health, Human Services and Women's Affairs, the National Youth Council, and other Non Governmental Organisations and Community Based Organisations. A Social Recovery Programme Coordinator will be employed to oversee the various elements of the programme. This coordinator will be based in the MAFFE, but will liaise with the myriad agencies implementing the programme.

Each year, by June 30, an investment plan will be produced to outline the financial elements of the programme of activities to be undertaken during the ensuing year. This programme of activities must be consistent with the overall Strategy.

MONITORING AND EVALUATION

The STABEX Committee, established under the Framework of Mutual Obligation governing the utilisation of resources under the 1994 STABEX Transfer, shall continue to function, and its terms of reference and composition shall be extended to encompass decisions relating to the use of SSA Banana Protocol 99 Funds. The EDF Project Management and Co-ordination Unit (EDF PMCU), established under the 1994 STABEX FMO, will continue to act as secretariat to the STABEX Committee.

The STABEX/SSA Committee will meet at regular intervals in Castries, under the chairmanship of the National Authorising Officer of the European Development Fund, and deputy chairmanship of the Permanent Secretary, MAFFE. The Committee will have the following representation:

Representatives of the Ministry of Finance and Planning

Representatives of the Ministry of Agriculture, Forestry, Fisheries and Environment

Representative of the Ministry of Education, Human Resource Development, Youth and Sports

Representative of the Ministry of Community Development et al.

Representative of the Ministry of Health, Human Services et al.

Representative of the NGO Community

Representative of the Chamber of Commerce, Industry and Agriculture

Delegation of the European Commission in Barbados and the Eastern Caribbean

Representatives of other concerned ministries or entities from the private sector or decentralised co-operation agencies will be invited to participate in committee meetings according to the agenda.

The SSA Banana Protocol 99 Funds will be directed towards project financing. The Committee will decide on the financing of the project and programme proposals submitted to it, and approve the award of contracts and the commitment of funds. Activities to be funded may be modified by mutual agreement between the Government and the Commission, on recommendation by the Committee, to take account of exceptional circumstances arising from natural disasters, economic disturbances, sectoral crises or other events having comparable effects.

In order to make more efficient the reporting and monitoring procedures, three broad Project Monitoring Committees will be established:

(I) The Banana Monitoring Committee - this function will be carried out by the Banana Production Recovery Plan Monitoring Committee, and will be co-ordinated by a Recovery Plan Manager.

(II) The Agricultural Diversification Monitoring Committee - it is expected that this committee will oversee the implementation of all projects directed at agricultural diversification, and will be co-ordinated by an Agricultural Diversification Programme Co-ordinator.

(III) A Social Recovery Plan Monitoring Committee - this committee will monitor all projects funded under the Social Recovery Programme, and will be co-ordinated by a Social Recovery Plan Programme Co-ordinator.

These Monitoring Committees will report, through their respective Programme Co-ordinators, to the SSA Committee on the various projects under their purview. This will increase the efficiency of the reporting process, and allow for more in-depth analysis of the effectiveness of the targeted interventions. This will allow the SSA Committee to function more in a policy context and less in an operational framework.

It is expected that the Delegation of the European Commission in Barbados and the Eastern Caribbean will, in addition to the aforementioned monitoring mechanism, require experts visits from DG VIII and other suitable qualified consultants selected for that purpose, and funded from the allocation for consultancies. For the Ministry of Agriculture, Forestry, Fisheries and the Environment, at the operational level, the monitoring of the activities funded under this strategy will be undertaken by its Monitoring and Evaluation Unit.

APPENDIX 1

INDICATIVE ALLOCATION OF FUNDS (EC)

INDICATIVE ALLOCATIONS BY SECTORS	TOTAL	%
<u>BANANA INDUSTRY COMMERCIALISATION</u>	EC\$33.43 million	27.8
<u>AGRICULTURAL SECTOR DIVERSIFICATION</u>	EC\$36.82 million	30.6
<u>SOCIAL RECOVERY PROGRAMME</u>	EC\$41.16 million	34.2
<u>MONITORING AND EVALUATION</u>	EC\$3.03 million	2.5
<u>CONTINGENCY</u>	EC\$5.7 million	5.0
TOTAL EC\$	EC\$120.14 million	100